

SPOTLIGHT:
Ag-biotech in
Saskatoon

FEATURE:
Down But Not Out:
Economic Growth
in the West

OPINION:
Oilsands and Energy
Dialogue

CanadaWest
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Our Vision

A dynamic and prosperous West in a strong Canada.

Our Mission

A leading source of strategic insight, conducting and communicating non-partisan economic and public policy research of importance to the four western provinces and all Canadians.

CURRENTS

Western Canada's Monthly Economic Bulletin

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Monthly Economic Highlights

Canadian employment grew by 36,000 in April. The national unemployment rate was unchanged at 8.0%, remaining at its highest level in seven years. British Columbia was one of only two provinces with significant job gains

in April (+17,000). Employment in Alberta edged up by 5,700 jobs, while Manitoba and Saskatchewan made more marginal job gains (+500 and +300 respectively). These latter two provinces currently have the lowest unemployment rates in the country.

In February, wholesale trade fell in Saskatchewan (-6.4%), Alberta (-3.2%) and BC (-0.2%) but rose 0.9% in Manitoba. The Saskatchewan drop was the largest in the country. In Alberta, the decline was the fifth in the last six months. Retail sales declined

in all western provinces in February except Saskatchewan, where they edged up 0.2%.

BC manufacturing sales were down in February for the fifth month in a row (-2.5%) as decreases continued to mount in the wood and paper product industries. Sales were also lower in Alberta (-0.7%) while they were up in Saskatchewan (+3.0%) and Manitoba (+1.4%).

Inflation in the West was below the 1.2% national average in March in all provinces except Saskatchewan (+1.8%).

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
Labour Markets						
Employment (000s)	2,257	1,993	520	604	16,874	April
% change	0.8	0.3	0.1	0.1	0.2	
Unemployment rate (%)	7.4	6.0	5.0	4.6	8.0	April
change in percentage points	0.0	0.2	0.3	-0.5	0.0	
Participation rate (%)	66.0	74.4	70.4	68.9	67.4	April
Average weekly earnings (\$)	786.99	973.61	803.63	768.25	820.95	February
% change	-0.8	2.7	0.8	0.3	0.5	
Inflation						
Consumer Price Index (% change)*	1.1	0.9	1.8	1.1	1.2	March
Economic Activity						
Housing starts (000s)**	14.0	12.9	3.8	3.9	154.7	March
% change	-13.0	-5.1	-5.0	-4.9	13.7	
Retail trade (\$M)	4,328	4,682	1,159	1,202	33,743	February
% change	-1.3	-1.3	0.2	-0.2	0.2	
Wholesale trade (\$M)	4,057	5,310	1,561	1,124	40,979	February
% change	-0.2	-3.2	-6.4	0.9	-0.6	
Manufacturing sales (\$M)	2,803	4,965	935	1,247	42,937	February
% change	-2.5	-0.7	3.0	1.4	2.2	

* Compared to same month in the previous year ** Annual rate (monthly figures are multiplied by 12 to reflect annual levels)

Unless otherwise noted, data are seasonally adjusted and percent change is from previous period Source: Statistics Canada, Canada Mortgage and Housing Corp

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Average Weekly Earnings (\$)

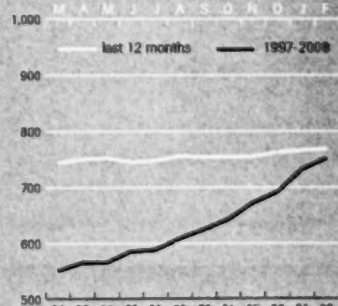
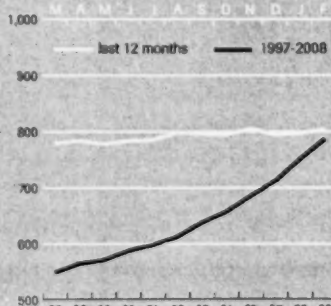
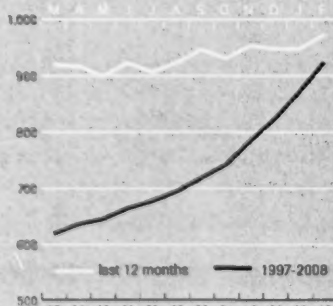
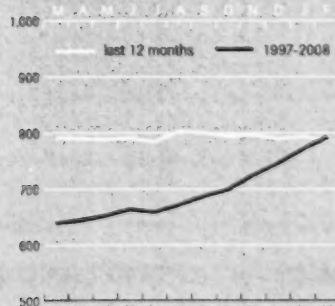
Source: Statistics Canada

British Columbia

Alberta

Saskatchewan

Manitoba



Economic Growth in 2008: THE WEST DOWN BUT NOT OUT

Did you know?

➤ In 2006, 33% of recent immigrants to Canada held jobs with low educational requirements (such as sales clerk) compared with 11% of those born in Canada.

➤ In the 1880s, Kenora (Ontario), which was then called Rat Portage, had representatives at both the Manitoba and Ontario legislatures.

➤ Although commonly associated with the discovery of oil at Leduc in 1947, Alberta's oil and gas history started in the early 1910s, when a farmer discovered gas at Turner Valley, southwest of Calgary.

➤ Saskatchewan holds more than half of the world's reserves of potash.

➤ Elected in 1957 in Vancouver-Centre, Douglas Jung was the first Chinese-Canadian Member of Parliament.

➤ There are an estimated 34,000 Aboriginal businesses in Canada today.

A lot has been written recently about the West's dominance of the Canadian economic scene over the past few years. From 2002 to 2007, the West's annual economic growth averaged 3.8%, nearly twice the 2.2% rate observed in the rest of the country (Canada West Foundation estimate). In fact, the West's share of Canada's economy grew from 31% to 36% over that period.

While 2008 started in an innocuous way, with things looking like they would keep going on as usual, the context quickly changed as important developments on the commodity and financial markets were followed by the advent of a global recession.

This was demonstrated when Statistics Canada released the preliminary version of its Provincial Economic Accounts (PEA) for 2008. The PEA

represents the only economy-wide set of statistics for the provinces.

The PEA showed that after being ahead for five years, the West's economy virtually matched the rest of Canada in 2008 with a real GDP growth rate of 0.4% (CWF estimate). Moreover, the West's performance was far from being evenly distributed.

Saskatchewan's real GDP jumped 4.4% in 2008, ahead of the other nine provinces. Strong potash prices pushed corporate profits up 58%. There was also solid growth in crop production, household spending and business investment, including homebuilding.

The Manitoba economy also grew, up 2.4%, slowing down somewhat compared to a 3.3% pace in 2007.

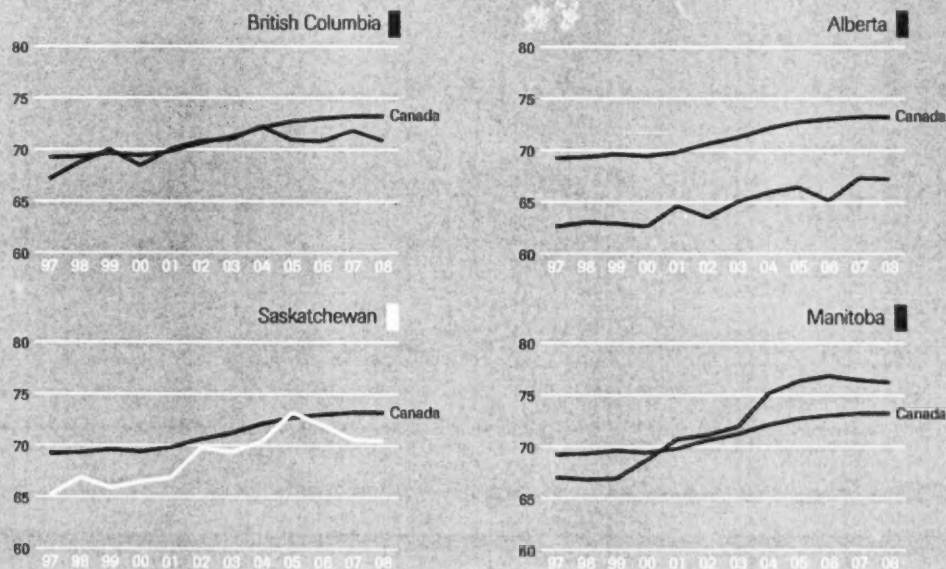
BEHIND THE NUMBERS

The ratio of female-to-male wage rates in the West has improved during this decade but remains below the national average in three out of the four provinces. Manitoba is the exception: its ratio of 76% in 2008 makes it the third most equitable province behind PEI and Quebec. The remarkable growth in Manitoba wage equity over the last ten years is due to a faster increase in women's wages.

Alberta ranks last within Canada at 67% in 2008. Alberta earnings growth since 1997 was the strongest in the country for both men and women but men's wages have grown by a larger amount.

Female-to-Male Ratio of Average Weekly Wage Rates, 1997-2008 (%)

Source: Statistics Canada





Major construction projects stimulated growth but were offset by lower exports of manufactured products.

In Alberta, real GDP declined (-0.2%) for the first time since 1986. While investment dropped (especially housing construction), profits rose 28% on the strength of high oil prices in the first part of the year. Household spending on durable goods went nearly flat (+0.4%) after three years of double-digit growth.

In BC, GDP was also lower (-0.3%), marking the first decline since 1982. A big drag on growth was a 10.6% drop in international exports, reflecting falling demand for BC forestry products in the US. Construction was a mixed bag: preparations for the Olympic games were a positive contributor but homebuilding was lower.

As they prepared their spring budgets a few months ahead of the PEA release, the provincial governments published their own estimates of 2008 growth rates for their provinces (see chart). Curiously, the provinces that were the most off the mark were BC and Alberta, which both ended up with a negative economic performance in 2008.

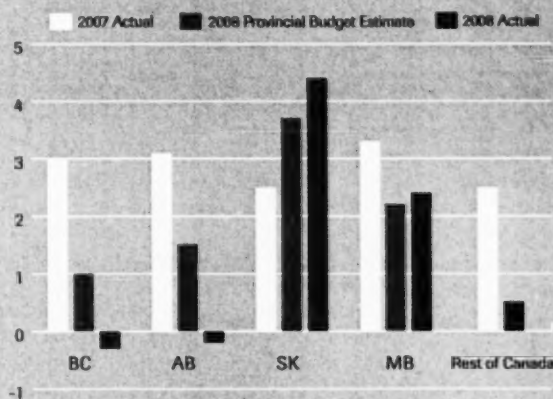
As an aside, the PEA also provides a useful annual assessment of economy-wide inflation for each province, as opposed to the better-known CPI inflation rate, which covers only consumer purchases. Based on this measure, Saskatchewan was the West's inflation hotbed in 2008

(+19.4%), with Alberta a distant second (+12.9%). BC (+3.8%) and Manitoba (+2.4%) were below the national average of 3.9%.

While 2008 was a transition year from growth to decline, 2009 will likely be a full-blown recession year for most of the country and most of the world. Western Canada, however, remains best-positioned among the country's regions to ride out the storm.

Real Gross Domestic Product (% change, chained (2002) dollars)

Source: Statistics Canada,
Provincial Budgets, Canada
West Foundation



Industry Spotlight: Agricultural Biotechnology in Saskatoon



photo credit: Trina Uebachs of Performance Plants Inc.

The canola plant on the right is a heat-tolerant variety developed by Performance Plants Inc. It produces more seeds during hot summers than regular canola (left).

Saskatoon has emerged to become a world leader in the field of agricultural biotechnology, or ag-biotech. Saskatoon first started to apply ag-biotech in 1948 when the National Research Council (NRC) opened the Prairie Regional Laboratory (renamed the Plant Biotechnology Institute in 1983) to research alternative uses for Canadian crops to cut down agricultural waste and raise farming profits. The Institute conducts research in areas such as drought tolerance and disease resistance.

The Institute has been a catalyst for the growth of new ag-biotech businesses in the area. Saskatoon is home to over 40 companies involved in ag-biotech research and development, representing 30% of the country's ag-biotech activity. Linked to Saskatoon's food processing industry, the cluster brings in annual revenues of almost \$60 million and employs 1,100 people, including 400 research and technology professionals. In 2006, NRC opened the BioAccess Commercialization Centre, which helps young ag-biotech companies develop new marketable products.

Ag-biotech companies operating in Saskatoon include Performance Plants Inc., Dow AgroSciences Canada, Bioriginal Food and Science Corp., and Prairie Plant Systems Inc.

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Oilsands: A More Balanced Approach

by Dr. Roger Gibbins, President & CEO

Albertans are understandably nervous about the potential impact of the new American administration on their market for energy south of the border. The rhetorical emphasis on climate change, clean energy and energy security could all be problematic for an Alberta energy industry already hammered by depressed prices, high costs and tight credit.

This nervous energy, however, should be directed to seizing the Canada-US Clean Energy Dialogue that President Barack Obama and Prime Minister Stephen Harper announced last month.

To understand the importance of this initiative, consider the public debate about oilsands development. At present, that debate focuses almost entirely on environmental concerns. This is losing terrain for proponents of the oilsands, as it is almost impossible to attract an audience to discuss its economic importance or contribution to energy security.

Environmental opponents of the oilsands, who are well financed by American foundations, are simply not interested in a balanced debate. If the oilsands can be isolated as an environmental target, if arguments about the economy or energy security can be rejected out of hand, then oilsands producers are going to face very heavy sledding indeed. It is imperative, therefore, to change the terms of the debate.

It is here that the Clean Energy Dialogue comes into play, for it provides the opportunity to discuss the oilsands in the context of continental supply and demand. It provides an opportunity to discuss how the oilsands might contribute to energy security, and to place the environmental impact of the oilsands amongst other energy sources, including coal-generated electricity.

President Obama's greatest gift to Canada to date was his response when asked during his visit to Ottawa to comment on the oilsands. He noted the environmental concerns about the oilsands, as he should, but then went on to point out that the United States faces similar environmental concerns with coal-fired electricity.

This response supports exactly what Albertans need – a comprehensive discussion about energy that does not look at the oilsands in isolation. The Canada-US Clean Energy Dialogue is this forum.

But, if this opening is to be seized, there are steps that have to be taken. First, we have to have a Canadian dialogue before we are swept up by the Canada-US Dialogue. We have to sort out our energy interests, needs, objectives and priorities. This is a discussion that we have been unwilling to have, and the Government of Canada has been the most reluctant participant.

We are so paralyzed by the 30-year-old legacy of the National Energy Program that we refuse to have an open debate. We declare, as Prime Minister Harper declared, that Canada is a clean energy superpower, and then refuse to put into place the strategy necessary to achieve this admirable vision.

Now, however, the Americans have goaded us into action. If we do not have a Canadian dialogue soon, we will be eaten alive once the Canada-US dialogue gets under way.

The second step is Alberta's, for the price of admission to the Clean Energy Dialogue will be the recognition that a continental cap and trade system will be one of the outcomes. If we want to get the oilsands into the continental tent, then it will be necessary to drop our insistence that we can go it alone with respect to carbon markets.

The third step goes without saying: oilsands producers have to continue to walk the talk with respect to their environmental impact. Their important work in this area can be told, but it needs an audience prepared to listen. The Clean Energy Dialogue should provide that audience, or at the very least the stage upon which the story can be told.

We have, then, the opportunity for a more balanced, continental discussion for the oilsands, one that retains the importance of environmental concerns, while at the same time bringing energy security and economic arguments into play. It is now up to us to exploit that opportunity.